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World Wheat Trade Rises

Vegetable Oil Potential in Mediterranean Countries

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This week's cover:

An old-fashioned olive press in Morocco. Olive oil has been a traditional food in the Mediterranean for thousands of years. Preferences are changing, however. For an estimate of U.S. oil sales prospects, see the story beginning on page 7. (Photos on page 8 and cover courtesy FAO.)

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WORLD WHEAT TRADE TO RISE SUBSTANTIALLY IN 1972-73

By GORDON H. LLOYD
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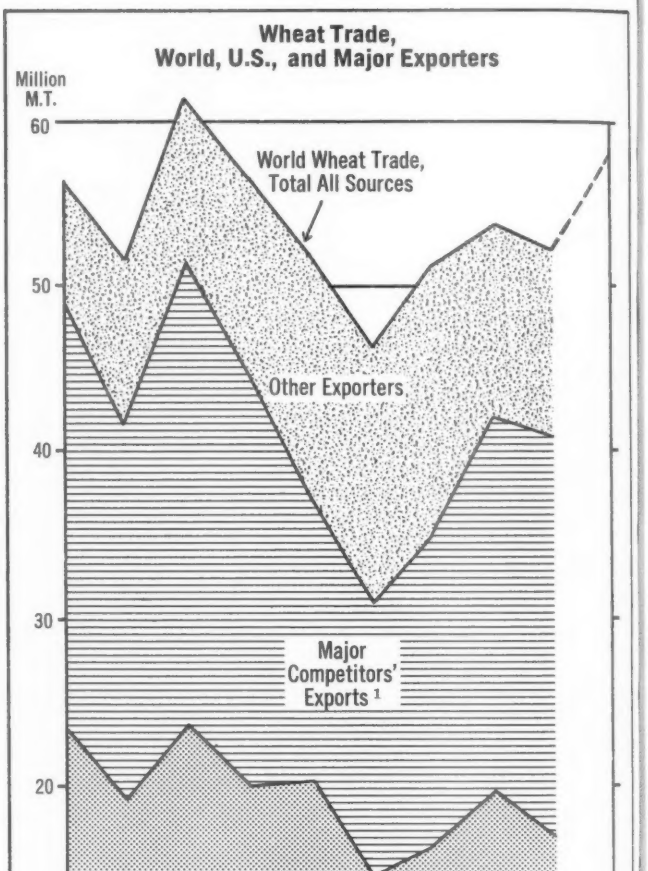

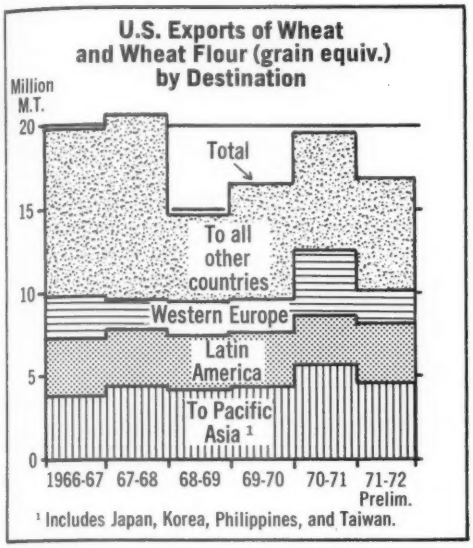

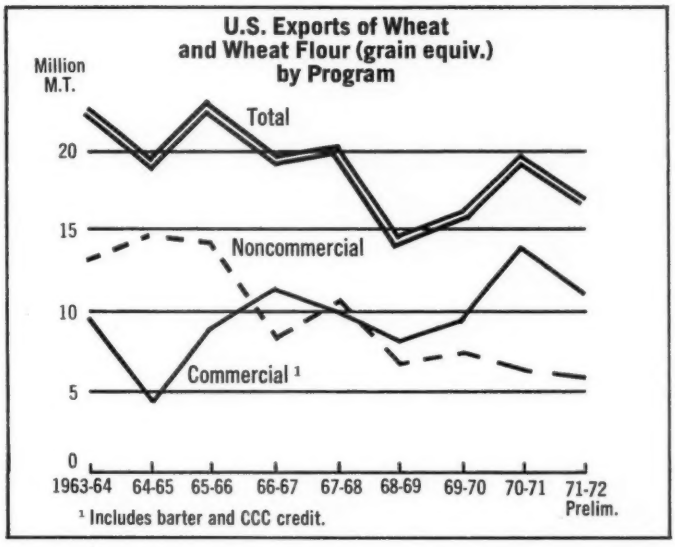

World wheat trade in 1972-73, with smaller 1972 production, is currently expected to be at least 4 million tons above that of 1971-72. Demand will be up in the USSR and Europe, where production prospects are unfavorable. However, import reductions are expected in a number of countries which took sizable quantities last year—especially India, Iran, Iraq, and Syria.

The big question is the level of Soviet imports and the extent to which they will replace normal Soviet exports of around 3.4 million tons to Eastern Europe. Assuming that some 3 million tons of USSR purchases for 1972-73 will actually go to East Europe in place of wheat which the USSR supplied last year from its own crop, and assuming imports for its own use increase by 5-7 million tons from 1971-72, world wheat trade should reach at least 56 million or 57 million metric tons.

Canada's wheat exports are likely to be around 13-14 million tons in 1972-73, bolstered by a 5-million-ton contract with the USSR and a supplemental sale of 1.5 million tons to the People's Republic of China for shipment by March 1973, which was in addition to the calendar 1972 agreement for 3.0 million tons. Australia's exports will probably decline, and Argentina's may rise slightly. EC exports could be larger because of another good crop plus higher carry-in stocks.

U.S. wheat exports in 1972-73 are expected to expand significantly, with the amount depending heavily on the quantity taken by the Soviet Union.

World wheat production in 1972 is currently expected to be slightly below 300 million tons, a significant drop from the 318-million-ton 1971 level. Reductions are expected in Western and Eastern Europe as well as the USSR; but in North Africa and the Middle East, a record crop is foreseen.

Production in Australia and Canada had also been expected to increase; but recent reports indicate weather problems, and production in both countries —especially Australia—could be below the 1971 level. In the United States, there will be a moderate decline from last year's bumper crop. In Argentina, however, some improvement is likely after 3 years of adverse weather.

World wheat and flour trade in 1971-72 is currently estimated at 52.2 million tons, only 1.6 million below the previous year's. This high export level was unexpected, in view of the record wheat crop of 319 million tons harvested in 1971.

Two circumstances combined to keep world exports up. First, the wheat crop in most of the Middle East and North Africa fell below normal, causing sharp increases in shipments to these areas. Second, the Soviet Union, after importing at a low level in 1970-71, resumed heavy purchasing.

Other circumstances did pull trade down somewhat. The record 1971 wheat crop in Western Europe, plus good crops in Eastern Europe, reduced import needs on the Continent. India and Brazil continued to boost their wheat production, and both decreased their imports. Work stoppages at ports plagued several countries, especially the United States. Strikes have recently ended in Canada and Japan.

U.S. wheat exports in 1971-72 were about 580 million bushels. Adding exports of flour, at an estimated 45 million, gives a total figure of about 621 million bushels, (not including major products) or 16.9 million tons. This reduction of nearly 3 million tons from the 1970-71 shipments of 19.8 million was due chiefly to lower demand in Europe and to the effects of the U.S. dock strike on exports to Japan and other Pacific Asian markets. In May and June, however, wheat exports picked up with a push from Public Law 480 shipments plus fairly strong commercial demand.

Wheat stocks of four major exporters —Argentina, Australia, Canada, and the United States were down about 50 million bushels during the 1971-72 marketing year by the unforeseen strength of trade. Most of the decline was in Canada, where ending stocks were about 600 million bushels—down sharply from the billion bushels of 2 years ago. Stocks in Australia have also declined from the peak level of 1970 and are forecast at about 86 million bushels by November 1, 1972. Stocks in Argentina will change only slightly. Ending stocks in the United States as of June 30, 1972, rose, but only by about 135 million bushels despite the record 1971 crop; they were worked down in May and June by the export push, and by unprecedented wheat feeding.

CANADIAN BUTTER MOVES FROM SURPLUS TO IMPORTS

By GLENN D. WHITEMAN
Former Assistant U.S. Agricultural Attaché
Ottawa

Canada, which has been troubled with butter surpluses in the past, had to import 11.3 million pounds of U.S. butter last year.

While no one is certain if imports will be necessary this year, a spokesman for the Canadian Dairy Commission (CDC) recently predicted that Canada's dairies will be able to supply the Nation's needs during this winter's seasonal production slump.

Since its creation in June 1966, the CDC has had the difficult job of simultaneously guaranteeing adequate supplies of dairy products to consumers, assuring profitable prices to producers, and avoiding surpluses which plagued the dairy industry during the fifties and early sixties.

To insure profit levels acceptable to producers, the CDC took over and raised existing subsidies for manufacturing milk and cream—to Can$1.21 for each 100 pounds of milk delivered, and an equivalent amount for cream.

To avoid milk surpluses, the CDC assigned subsidy eligibility quotas to each producer; a producer received no subsidies for deliveries in excess of his assigned quota. Through this system of subsidies and quotas, the CDC hoped to keep milk production just at the level required by processors. During its first season of operation, the subsidy program cost the CDC about Can$100 million.

CANADA'S MILK PRODUCTION AND UTILIZATION
[In million pounds]

Production and utilization	1970	1971
Total milk production	18,313	17,777
Milk utilization:		
Fluid milk	5,993	6,060
Butter	7,735	6,769
Cheese	2,374	2,723
Fed to livestock	683	675
All other	1,528	1,550
Total	18,313	17,777

The CDC also took over a program assuring minimum prices for dairy processors. During the 1967-68 season, the CDC set floor prices for butter, Cheddar cheese, and spray process nonfat dry milk. If processors were unable to sell these products above the floor prices, they would be bought by the CDC and later either sold when market conditions were favorable, or exported—often at a loss.

During its second year of operation, the 1968-69 season, the CDC raised subsidies on milk and cream and increased the floor prices of butter and Cheddar cheese.

By late autumn of 1968, however, problems began to arise with the dairy processors' "production mix." Cheddar cheese production rose by 12 percent over the previous year's level, while butter production dropped by 7 percent. Since butter and cheese production directly compete for the butterfat content of manufacturing milk, the CDC urged processors to divert some milk from cheese to butter production.

The butter-cheese mix problem was further aggravated when the CDC moved to limit total butterfat production, after milk producers began to deliver milk in excess of their subsidy eligibility quotas. By the 1970-71 season, Agriculture Minister Olson noted that total butterfat production was exceeding consumption levels by 10 percent, and predicted sizable surpluses unless remedial action was taken.

Since the predicted surplus was attributed to overproduction of milk, the CDC enacted penalties for producers who delivered more than their quotas.

To further tighten its control on butterfat production, the CDC signed an agreement with the Provincial milk marketing boards of Quebec and Ontario—which together produce three-quarters of Canada's milk—to establish a supply management program for milk.

Effective December 1, 1970, the agreement assigned market sharing quotas to each producer. Quotas were assigned to keep production in balance with domestic requirements on a butterfat basis, thus providing the CDC with considerable control over the total butterfat supply. (Six more Provinces have since signed the agreement, which now covers over 95 percent of the industrial milk and cream produced in Canada.) This limited production of butterfat heightened the competition between butter and cheese production.

The emergence of Cheddar cheese as the more profitable dairy product was partially due to the growing per capita consumption of cheese—not only in Canada, but around the world. Wholesale prices of Cheddar cheese took a spectacular jump in 1971—up to 61 cents per pound—a 27-percent gain over the preceding year.

Continued strong export markets for Cheddar have also played an important part in the upward price trend. Exports of Cheddar amounted to 29.4 million pounds in 1971—about 20 percent of Canada's total production—with the bulk going to the United Kingdom.

During the summer of 1971, the marketing board of Ontario, the Province which produces about 80 percent of Canada's Cheddar exports—moved to increase the price of milk intended for Cheddar production. Effective August 1, 1971, Ontario's processors paid more for industrial milk destined for Cheddar production.

By the late summer of 1971, many producers pointed out that the butter shortage was a national problem and predicted that imports would be necessary for the following winter. The Dairy Farmers of Canada (DFC), a producers group, warned that unless support prices for butter were increased,

butter imports would be necessary when butterfat production reached its seasonal low during the winter months.

The DFC also pointed out that the butter-cheese production mix was getting worse: Butter production for the first half of the 1971-72 season dropped 13 percent from the same period a year earlier, while Cheddar cheese production climbed 6 percent.

Because of the butter shortage caused by the decline in production, the CDC was forced to import 11.3 million pounds of U.S. butter to make up the deficit.

For the current season, 1972-73, the CDC hopes to avoid further butter imports by reaching a more balanced butter-cheese processing mix.

According to Dr. C. S. Barry, Chairman of the CDC, three trends may help Canada avoid a butter shortage during the coming winter:

- Per capita consumption of butter will decline slightly this year.
- Cheddar cheese production will level off.
- Manufacturing milk production will increase somewhat.

The first trend, a decrease in butter consumption, appears reasonable, since per capita consumption has declined

(Continued on page 12)

Brazil's Farm Production May Hit Alltime High

By JOHN C. McDONALD
Former U.S. Agricultural Attaché
Brasilia

Brazil is expecting an extraordinary —perhaps even a record—crop year in 1972, even though coffee, one of the principal crops, is unlikely to register much change from 1971. Coffee traditionally is a cyclical crop with up years followed by downs.

Last year, Brazil's farm production registered a seemingly spectacular gain over the previous year's. This, however, resulted from a bound back to normal coffee production after a near-failure in 1970 because of killing frost in 1969. Leaving out coffee, the increase in farm production was only a sobering 2.6 percent.

This year's expected gain, however, is without doubt genuine. Abundant yields from most of the important food crops, now being harvested, are making this a great year.

Early this year, Finance Minister Antônio Delfim Netto called the outlook much better than a year ago and forecast an increase of between 9 and 10 percent. Even more recently, as favorable harvest news continued to accumulate from various regions, the Minister of Agriculture, Luiz Fernando Cirné Lima, said he anticipated a nationwide production rise of from 10 to 20 percent in nine basic farm commodities: Rice, beans, corn, soybeans, cotton, peanuts, potatoes, sugarcane, and manioc.

In São Paulo, the leading agricultural State, final forecasts just released for 1971-72 pointed to substantial gains in important crops. For example, soybean output was expected to be up 124 percent; rice, 86 percent; sugarcane, 19; corn, 17; and oranges, 27. Heavy rains which benefited these products, however, reduced expectations for cotton gains from 34 to 11 percent; peanuts, too, could suffer rain damage.

Economist Rubens Araújo Dias, São Paulo's Secretary of Agriculture, attributed the successful farm year to a number of factors, including "fairly good" weather, favorable economic policies, a climate of confidence, good minimum prices, and positive development.

Government policymakers, happy about the present situation but recognizing the unpredictability of the future, already are devising schemes to keep farm output moving upward next year and in subsequent years at a pace that will help maintain Brazil's high level of economic growth. This is a formidable task even in years of favorable weather; unfavorable weather could decelerate the overall expansion rate.

One of the programs under study is the refining of a campaign initiated in 1970 that simply exhorted farmers to "plant more" with a promise of Government backing. In the refined version, producers of commodities most in demand for domestic and export markets would be urged to increase plantings of specific products in regions where they grow best.

The Government of Brazil also is stepping up its fight against inflation. The annual inflation rate has hovered around 20 percent for several years. On April 18, Brazil's President Emílio Garrastazú Médici, signed a decree exempting processed food products from the Federal industrial products tax, which is paid by manufacturers, but borne by consumers since it is included in the sales price. Rates on the exempted products ranged from 4 to 10 percent. Later, the exemption was extended to unrefined vegetable oils and the products in which they are used.

A Finance Ministry economist has promised that, because of the favorable agricultural production, inflation could

Coffee beans being stripped from the branch. Coffee is Brazil's top export.

A Brazilian farmer plows under rice straw in an irrigated field.

be reduced to 15 percent this year and still permit the gross national product (GNP) to expand 9 to 10 percent. Last year the GNP expanded 11.3 percent, but it is not likely that this rate can be maintained in 1972 because of the insignificant change in coffee output.

Over the long haul, Brazil's economic conditions favor continued expansion of between 5 and 10 percent over the next decade. Agriculture is expected to lead the development race, regardless of the role of coffee, because of a Government program soon to be launched to augment cultivated areas. Although Brazilians are aware that the ultimate answer to their production problems lies in expanded research and improved technology, they also know that for the immediate future they simply must plant more to harvest more.

President Médici also is concentrating efforts on better distribution of income and improved living conditions for the greatest number of people.

Farm commodities account for more than 75 percent of Brazil's expanding exports. In 1971, total exports were valued at U.S. $2.9 billion—setting a fourth consecutive record. This year, the Brazilian Government is predicting another 20-percent gain, which would bring the total to $3.5 billion.

To maintain this pace, the Federal and State Governments have granted liberal incentives such as tax reductions or forgiveness on export products, ample credit, improved transportation and port facilities to speed freight movement and cut its cost, and a general attitude of everything-for-the-exporter.

Recently, President Médici approved a "corridors of exportation" program to provide additional thrust in the next 2 years to port and railroad expansion with the objective of increasing agricultural exports. The extremely optimistic medium-term export targets are 4 million tons of corn; 3 million, soybeans; and 1 million each of grain sorghum and pelletized oilseed products.

The Government has announced that the ports of Rio Grande and Santos will be deepened to nearly 43 feet and Paranaguá to nearly 40. Improvements in the basic framework are progressing at all three. Work partially financed by a $45 million World Bank loan already is underway at the port of Santos, and a $10 million Canadian grant will be used to improve its grain facilities. New equipment installed at Paranaguá this year will help Brazil to increase its cereal exports to 4 million tons annually.

Prospects for augmented sugar exports at good prices are particularly bright. The Ministry of Industry and Trade has estimated calendar 1972 exports at 1.8 million metric tons valued at $300 million, about double the 1971 level. Coffee exports are forecast in the range of $900 million this year.

The Brazilian Government is studying the possibility of instituting trading companies patterned after the big Japanese firms active in foreign trade operations. It is presumed that the Government would offer support to the financial systems of such companies and in this way integrate the financial network into export activities.

The Director General of the Foreign Trade Department of the Bank of Brazil (CACEX) outlined two conditions essential to guaranteeing the growth of Brazilian exports. One was the engagement of agricultural and industrial organizations in modern export systems, and the other was to bring small- and medium-sized enterprises into the export stream through a trading company system.

A Brazilian extension worker shows a farmer how to control insect pests.

Industry-Government Team Studies Mediterranean Vegetable Oil Needs

Vegetable oil tanker unloads soybean oil at Khorramshahr, Iran.

With competitive prices and expanded market development, the United States can maintain and perhaps increase its vegetable oil markets in six Mediterranean countries, according to members of a U.S. vegetable oil trade mission that visited Morocco, Tunisia, Yugoslavia, Turkey, Iran, and Greece this spring.[1]

Vegetable oil consumption is rising in the Mediterranean as economies progress and populations grow. Though most of the six countries visited have ambitious plans for their own oilseed crops, expansion cannot be expected to keep up with demand for a long time to come.

The mission found that, while each of the countries supplements its domestic supplies of vegetable oils with imports, there is some sales resistance to relatively higher priced U.S. oils.

For example, Turkey which has a satisfactory foreign exchange balance with which to buy vegetable oils, has been purchasing soybean oil originating in Europe at about $20 a ton less than that available from the United States. Turkey bought 10,000 metric tons from France at about $280 a ton in April. The lowest offer for U.S. oil at that time was $300. European and Brazilian oils are competitively priced and are said to be comparable in quality to U.S. oil.

In addition, Turkish officials pointed out to the trade group several other advantages of purchasing European oil. One of these was quick delivery—2 weeks after purchase, compared with 8 to 10 weeks from the United States. Another advantage was the availability of small lots which do not tie up large amounts of capital or tax storage facilities. They can buy 1,000-ton lots from Europe, while U.S. exporters sell in 8,000- to 10,000-ton lots. Further, the transportation differential is $2 to $4 per ton more from the United States. CCC credit and barter programs, although helpful, are not sufficient to overcome the price differential of non-U.S. origin oils.

On the other hand, the trade team found that U.S. exports fared better in Morocco, Tunisia, Iran, and Yugoslavia, where foreign exchange is not readily available for vegetable oil purchases. In these countries, export assistance programs are most important in facilitating shipments of U.S. oils. Without these programs, consumption levels would drop and export potential would be severely hampered.

The mission noted that per capita vegetable oil consumption varied noticeably between these Mediterranean countries. For example, Morocco's consumption of 11 pounds was just half that of Tunisia. Rising incomes, however, coupled with population expansion will increase use throughout the area.

Since all the six countries are interested in expanding livestock and poultry output, they will need increasing quantities of meal. Almost all have plans to become self-sufficient in oilseed production, and some could even become soybean oil exporters if their ambitions for meal production are met.

However, realization of these plans may be a long way off. Thus, it is still likely that for the next decade the countries of the Mediterranean area will need to import substantial tonnages of vegetable oils.

However, limited storage facilities in several countries restrict flexibility in making advantageous purchases. These countries have to enter the market for short-term deliveries which are reflected in higher prices and fewer participants, since tight delivery schedules pose a problem.

Morocco. Morocco produces olive and sunflowerseed oils. In 1971, production was 64,000 tons compared with 51,000 in 1970.

During the team's visit, Morocco bought 12,000 tons of soybean oil from the United States for cash, clearing the way for an additional 10,000 tons under Title I of Public Law 480.

Morocco anticipates its fiscal 1973 needs for vegetable oils under P.L. 480 at about 40,000 to 50,000 tons, about the same level as 1972. Cash purchases should exceed 20,000 tons. However, Morocco is one of the countries with a storage problem. The capacity of its port storage facility at Casablanca is only 8,000 tons.

Tunisia. Although Tunisia had purchase authorizations for nearly 32,000 tons of vegetable oil under Title I, P.L. 480 at the time of the mission's visit, it already had substantial quantities of olive oil occupying its limited storage facilities. Tunisia produced 90,000 tons of olive oil in 1970 and 160,000 in 1971.

Plans were for vegetable oil arrivals from the United State at a rate of 6,000 tons a month beginning in May and extending through September; however,

[1]The trade mission was sponsored by USDA and the vegetable oil industry. Its members were: W. Glenn Tussey (team leader), Director, Cotton, Oilseeds, Tobacco, and Livestock Division, EMS, USDA; William J. Mills, Agricultural Economist, Fats and Oils Division, FAS, USDA; Richard E. Burrell, Manager, Soybean Meal and Oil Sales, Central Soya, Fort Wayne, Ind.; John J. Mogush, Assistant Vice President, Cargill, Inc., Minneapolis, Minn.; and Boardman Veazie, Director of Business Research, Swift Edible Oil Company, Chicago, Ill.

Moroccan farmer stirs olives drying on straw spread on the ground.

Weighing cotton in Turkish field demonstration. Cottonseed is important oil source.

Picking cotton in Iran. Higher yields have upped cottonseed oil take.

all P.L. 480 oil was purchased by the end of June, indicating that the Tunisians were able to move some olive oil which was occupying scarce storage. Tunisia's need for P.L. 480 oil in fiscal 1973 is estimated at 40,000 tons.

Yugoslavia. According to mission members, Yugoslavia placed its 1972 needs for U.S. vegetable oil at 60,000 to 75,000 tons "before new crops come in." However, Yugoslavia also needs 500,000 tons of wheat and 200,000 of corn and the need for these seemed more urgent than the need for oil. Thus, without CCC credit or other export assistance, it appeared unlikely that Yugoslavia could buy any additional oil this year. (Since the team's visit $70 million in CCC credits have been made available to Yugoslavia) Yugoslavia produced sunflowerseed oil at a rate of 264,000 tons in 1970 and 347,000 in 1971. The ability of this year's domestic sunflowerseed crop to meet consumption needs will be the final determinant on the extent of imports.

Turkey. The trade team noted that Turkey's foreign exchange holdings are approaching $900 million. Since last September, Turkey has made available from holdings enough money to import 30,000 tons of vegetable oil. One lot of 10,000 tons was bought from France 2 days before the trade mission arrived. It was purchased for $20 a ton under the U.S. price, which accounts for Turkey's shift from U.S. oil. Turkey's current oil needs have been met, at least until September. Subsequent needs will depend on supplies of indigenous seeds from the fall harvest. Turkey grows olives, sunflowerseed, sesameseed, and cottonseed. In 1971, oil output was 1.27 million tons, compared with 1.3 million in 1970.

Considering Turkey's good financial position and sound import policy, it appeared to the team that U.S. oil can find a market there only by becoming more competitive.

Iran. Iran needs about 110,000 tons of imported vegetable oil annually, and market growth runs about 10 percent a year, depending on indigenous oil production. Iran's production comprises cottonseed and sesameseed oils. It produces about 300,000 tons annually.

Mission members were told that licenses for all vegetable oil imports had been temporarily suspended. Currently, Iran is receiving grain under private trade arrangements of P.L. 480. Since its grain import needs have been reduced, it has asked to import oil under the same agreement, using the same 60-40 formula allowed for grain imports. Unless the request is responded to in a positive way, it is unlikely that U.S. oil will be sold to Iran because oil availability from other sources is lower priced.

Greece. This year Greece is expected to buy 10,000 tons of vegetable oil, probably under CCC credit unless the price disparity between U.S. and European oil at the time of purchase greatly outweighs the advantage of 3-year credits.

According to the trade group, Greece is not likely to import any vegetable oil next year, since this year's olive crop is expected to be up substantially. Greece also produces cottonseed oil.

Greece has begun building a 600-ton-per-day soybean crushing plant. When completed, this plant should be able to supply enough soybean oil to supplement Greece's olive oil output.

The trade team found that, of the Mediterranean countries studied where olive oil is produced, only Tunisia permits blending with seed oils.

In Tunisia and Morocco most vegetable oils were used in liquid form. In other countries, varying quantities of seed oils were used in margarine and shortening. The preferred liquid oils are olive, sunflowerseed, and cottonseed, but the only country using olive oil in margarine was Greece.

The mission suggests that it would make good economic sense for these countries to use low-priced soybean or cottonseed oil in their margarine and shortening and to export their higher-priced olive and sunflower oil. Margarine and shortening made from properly prepared soybean and cottonseed oil is indistinguishable in taste from that made from the higher-priced oils. Also, continuation of educational efforts to promote U.S. vegetable oils in liquid form is needed. "Winterized" soybean oil, whereby the molecular structure is changed by hydrogenation is a much more acceptable product and overcomes some of the past biases against soybean oil. Continued technical assistance combined with educational efforts are necessary to help overcome some of the old established preferences for sunflower and higher-priced oils.

Rising Grain Surplus in EC-10 Seen by West German Farm Official

The worsening grain surplus problem in the current six-member European Community (the "EC-6") means that "elbowroom for an active grain policy will grow increasingly tighter even in the expanded Community." This statement was made by Dr. Hans-Dieter Griesau, West Germany's Under Secretary of Agriculture, at a meeting of the Hamburg grain trade this spring. "By 1975," he pointed out, "we will have a breadgrain surplus in the larger community"—a prediction which, he said, did not even take into account the influence of the higher producer prices that would prevail in the four newer Member States.

Dr. Griesau reminded his audience of the situation in the United Kingdom, where the raising of producer and consumer prices for grain after entry into the Community would probably stimulate British grain production. He commented, "Production reserves are great in that country, considering the progressive farm size structure."

While grain production rises in Britain, utilization may decrease. Dr. Griesau pointed to the danger of reduced grain use in feeds and its replacement by such items as manioc and oilcake, which are subject to variable levies. "This means," he continued, "that Great Britain will use about 3 million metric tons less feedgrains in the years to come."

Soft wheat previously fed to livestock will, according to Dr. Griesau, be offered as breadgrain on the market or move into intervention and government storage. He warned, "A depressing tendency of the intervention price level as well as increasing costs for export subsidies and denaturing premiums must be anticipated."

The EC-6 is currently a surplus wheat producer. Except for 1966-67 and 1970-71, domestic production has exceeded domestic consumption in each of the last 7 marketing years. With those years included, the surplus has averaged 1.5 million tons; and in 1971-72, it was 2.7 million.

Most of this surplus has been exported with high subsidies. Denaturing premiums (for treating wheat to make it unfit for human consumption) have also channeled much more wheat into feed. Without these premiums the surplus of wheat in the EC-6 would have been much higher. In the marketing years 1969-70 to 1971-72, feed use of wheat averaged about 9 million tons per year compared with an average of about 5 million tons for the period 1965-66 through 1967-68.

In Denmark, Ireland, Norway, and the United Kingdom—wheat production has only started to increase. In the last 2 years, it has reached record levels, perhaps because of changes made in domestic programs in preparation for EC membership. Feed use of wheat is also on the rise. Nevertheless, these countries as a group are still wheat deficit. In the marketing year 1971-72, total wheat consumption of the four exceeds production by 4.3 million tons —not much below their combined average deficit of 5.3 million over the past 7 years.

For the 10 countries combined (the EC-10), the wheat deficit averaged 3.8 million tons in 1965-71, but in 1971-72 the EC-10 deficit was only about 1.6 million tons. Increases in the wheat production of the new member countries when they come under the EC Common Agricultural Policy (CAP) would further reduce the deficit and force the EC-10 into increasing its exports and/or diminishing its imports.

Durum wheat and high-quality bread wheat are the only types that are regularly in deficit in the EC-10. If Durum is excluded from the calculations, the wheat deficit is less than 500,000 tons per year at current production levels; and the need for imported Durum is being reduced by paying farmers a subsidy of over $1.00 for every bushel of Durum produced. The 1972-73 EC guaranteed price for Durum under the CAP is about $4.40 per bushel.

The need for high-quality non-Durum wheat is also being reduced. Under German programs, farmers received premiums for producing such wheat, and the EC baking industry is developing new methods that permit the use of locally produced quality wheat rather than imported bread wheats.

—By ARTHUR F. HAUSAMANN
Grain and Feed Division
Foreign Agricultural Service

PRODUCTION, CONSUMPTION, AND FEED USE OF WHEAT IN THE EC-6 AND EC-10
[In millions of metric tons]

Year [1]	Production	Domestic consumption		Surplus (+) or deficit (−)
		Feed use	Total	
EC-6:				
1966	30.4	5.3	27.6	+2.8
1967	26.3	5.5	27.4	−1.1
1968	31.3	5.8	28.4	+2.9
1969	32.3	6.9	28.9	+3.4
1970	31.4	9.1	30.9	+ .5
1971	29.6	8.8	30.5	−1.0
1972 [2]	34.2	8.9	31.5	+2.7
4 applicants:				
1966	4.9	3.4	10.0	−5.1
1967	4.1	2.6	9.1	−5.0
1968	4.6	2.7	10.8	−6.2
1969	4.3	3.0	9.5	−5.2
1970	4.1	3.0	9.5	−5.4
1971	5.1	4.5	10.8	−5.7
1972 [2]	5.8	4.6	10.1	−4.3
EC-10:				
1966	35.5	8.7	37.6	−2.3
1967	30.4	8.1	36.5	−6.1
1968	35.9	8.5	39.2	−3.3
1969	36.6	9.9	38.4	−1.8
1970	35.5	12.1	40.4	−4.9
1971	34.7	13.3	41.3	−6.6
1972 [2]	40.0	13.5	41.6	−1.6

[1] For EC-6, year ending July 31; for 4 applicants, year ending June 30. [2] Preliminary.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 23	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.21	+7	1.93
USSR SKS-14	(1)	(1)	1.88
Australian FAQ [2]	2.03	+4	1.72
U.S. No. 2 Dark Northern Spring:			
14 percent	1.96	0	1.91
15 percent	(1)	(1)	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	1.91	+2	1.82
No. 3 Hard Amber Durum	2.03	+3	1.81
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.63
Feedgrains:			
U.S. No. 3 Yellow corn	1.51	−1	1.45
Argentine Plate corn	1.74	+2	1.64
U.S. No. 2 sorghum	1.55	+5	1.45
Argentine-Granifero sorghum	1.57	+5	1.48
U.S. No. 3 Feed barley	1.34	0	1.10
Soybeans:			
U.S. No. 2 Yellow	3.93	−7	3.56
EC import levies:			
Wheat [3]	[4] 1.80	−2	1.42
Corn [5]	[4] 1.17	−4	.87
Sorghum [5]	[4] 1.21	+2	.95

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

Some Soviet Union Grain Highlights

• Soviet wheat has reportedly been withdrawn from the U.K. market. Total imports of USSR wheat into the United Kingdom were 108,000 metric tons in 1970-71 and about 380,000 tons in 1971-72.

• As of August 1, the spring grain crops in northern Kazakhstan and western Siberia appear excellent, although they are ripening a week late and poor weather is forecast for harvesting. Most of this year's 4.4-million-hectare increase in total USSR grain area, which was intended to help offset winter grain losses, was planted in the two "New Lands" regions. Together these two areas have supplied more than 30 percent of the grain purchased by the State in recent years.

• France has signed an agreement to sell the USSR 1 million tons of grain—500,000 tons of barley and 500,00 tons of wheat—valued at US$60 million. Delivery will be over 8 months starting September 1, 1972.

Further Decline in Argentine Flaxseed Area in 1972–73

The Argentine Ministry of Agriculture recently released its first estimate of flaxseed sowings for the 1972-73 crop. Area planted was placed at 1.158 million acres, 13 percent less than in 1971-72 and 52 percent less than in 1970-71. Flaxseed production in 1971-72 was 330,000 tons, down 350,000 tons from the 680,000 produced in 1970-71.

The indicated further decline in flaxseed area runs counter to virtually all previous forecasts. Usually high seed prices resulting from last year's sharp reduction in output and a very sizable upward adjustment of support prices (partially nullified by inflation) were the principal reasons for earlier expectations of an increase in plantings. Apparently, however, seed for planting was in tight supply and competition for land from other crops was strong.

Chinese Grain Crop Hampered by Weather

Unfavorable weather, especially in the northern part of the country, has been adversely affecting crop production in the People's Republic of China. Although the effects of weather have probably been mitigated to some extent by improved seed varieties, better irrigation and drainage facilities, and more fertilizer, an increase in total grain production over the claimed record harvest of 1971 appears doubtful at this time. China's wheat growing area is in northern China, the region suffering from drought.

COTTON

Pakistani Cotton Exports Double in 1971–72

Pakistan exported slightly more than 850,000 bales of cotton (480 lb. net) during the first 10 months of the 1971-72 season (Aug.-May). This compares with 350,000 bales exported during the same period in 1970-71 and a total of 470,000 bales for the entire 1970-71 season.

The increase in exports is due to a bumper cotton crop this season and to the separation of the former East Pakistan, now Bangladesh, from (West) Pakistan. In the past, a substantial amount of cotton had been shipped to East Pakistan each year and this was not considered as exports.

The 1971-72 Pakistani crop has again been revised upward. It is now placed at 3.35 million bales and exports for the season are estimated at 1.1 million bales.

The prospect of another bumper crop in 1972-73 and substantial carryover stocks from 1971-72 have caused Pakistani cotton prices to tumble sharply in recent weeks. Quotations for Middling 1-inch cotton in Liverpool fell 3 cents per pound (9 percent) between late May and the end of July 1972. A premium is now being charged for the new 1972-73 Desi crop for export purposes until spot prices for the new crop become available.

FRUITS, NUTS, AND VEGETABLES

Netherlands Prices of Canned Fruits and Juices

Quotations, representing wholesale offering prices on a landed basis including duty and the sugar-added levy, but excluding the value-added tax (in U.S. dollars) were:

Type and quality	Size of can	Price per dozen units [1]			Origin
		July 1971	Apr. 1972	July 1972	
CANNED FRUITS					
Apricots, halves:					
Choice, heavy syrup	500 g.	—	1.96	2.00	Spain
Do, unpeeled	2½	—	4.14	4.14	S. Africa
Light syrup	2½	3.15	—	3.51	Greece
Peaches: halves:					
Choice, heavy syrup	2½	—	4.47	4.51	S. Africa
Choice, light syrup	2½	—	4.18	4.40	S. Africa
Do	303	—	3.11	3.11	U.S.
Pineapple, slices:					
Heavy syrup	2½	—	3.96	3.96	Taiwan
CANNED JUICES					
Orange, unsweetened	[2] 1 ltr.	3.78	3.88	3.88	Israel
Grapefruit, unsweetened	[2] 1 ltr.	3.88	4.33	4.33	Israel

[1] Converted to U.S. dollars at rate applicable at time of quotation. [2] Packed in glass bottle.

Asian Canned Pineapple Exporters Organize

During meetings recently held in Taipei, Far Eastern exporters formed the Asian Pineapple Traders' Association (APTA). Comprised of canned pineapple exporters from Malaysia, Singapore, Taiwan, and Thailand, the new association's stated purposes are to promote cooperation among the member nations, to perform market surveys, and to improve marketing by reducing the incidence of cutthroat price competition. The APTA intends to establish procedures for joint marketing of canned pineapple by member nations.

Spanish Almond Prospects Excellent

Current estimates still call for a record 1972 Spanish almond crop of 55,000 short tons (kernel weight basis). If this estimate holds, it represents a 53-percent increase over last year's harvest and would be more than one-third larger than the current record of 41,000 tons harvested in 1968 and 1966. Quality of the new crop is expected to be excellent although the nuts are small in size.

Exports for the 1971-72 season (Sept.-Aug.) are still forecast at 21,000 tons, somewhat above the 1970-71 level of 18,200 tons. France, West Germany, and Switzerland rank as Spain's largest markets; however, Italian firms have purchased substantial amounts of Spanish almonds during recent months.

Spanish Filbert Estimate Revised

Spain's 1972 filbert crop is now forecast at 24,000 short tons (in-shell basis), 22 percent above previous estimates and 10 percent above last year's 22,000-ton harvest. Reassessment of insect damage and the effects of the April cold wave are cited for the revision.

Exports during the 1971-72 season (Sept.-Aug.) are expected to total 16,500 tons compared to the 1970-71 total of 14,400 tons. Foreign shipments totaled approximately 15,400 tons during the first 10 months of the 1971-72 season with Switzerland, France, and Czechoslovakia as the principal markets.

Australian Fruit Tree Removal Program

Australia has proposed a Commonwealth program for growers who are in financial difficulty, providing them with payments for the removal of trees producing peaches and pears for the canning outlet and apples and pears for the fresh market. Payment is to be graduated by age of trees with a maximum payment established at US$595 per acre for canning peach and pear trees and $357 per acre for fresh market apples and pears. The program would be administered by the individual States.

Growers requesting compensation must agree not to replant within 5 years. The Agricultural Council is expected to make final decisions concerning the program at its August meeting.

SUGAR AND TROPICAL PRODUCTS

India's Pepper Exports Lower in 1971

India's exports of black and white pepper during 1971 totaled 16,901 metric tons, down from 1970 exports of 19,657 tons and 1969 shipments of 17,406 tons.

The USSR remained the largest recipient of Indian pepper in 1971, taking 6,767 tons. Other major customers were the United States (1,894 tons), Czechoslovakia (1,414 tons), and Poland (1,082 tons).

India's pepper exports in 1972 are expected to be larger, reflecting increased buying by the USSR and Eastern Europe. However, exports to the United States will likely remain at low levels, as U.S. importers continue to purchase lower-priced pepper from other producing nations.

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FOREIGN AGRICULTURE

Philippine Floods Damage Rice Output—Imports To Rise

Heavy rains in Luzon during July and early August have caused calamitous floods described by the Government as the worst ever to hit the Philippines. More than 300 people have died, 3 million been driven from their homes, and damage to public property, housing, and agricultural investment is estimated at more than $300 million.

The area most extensively damaged is the major rice bowl area of central Luzon. The estimated flood damage is 300,000 metric tons (milled) of rice. This is the Philippine Government estimate based on a 175,000-ton loss due to complete crop loss, or inability to plant on 110,000 hectares and a 33 percent reduction in yield on 35,000 hectares. In addition, 125,000 tons of rice stocks were destroyed.

The crop loss estimate appears reasonable although it is likely that part of the 110,000 hectares will be planted. However, yields on less extensively damaged areas may be somewhat lower than previously anticipated.

The stock loss of 125,000 tons may be correct, but that represents about two-thirds of the total estimated stock in central Luzon. A more realistic estimate might be 60,000-70,000 tons since some of the damaged stock will undoubtedly be salvaged.

Production of rice (milled) was originally expected to advance by 7 percent in 1972-73 to 3,570,000 tons, about 300,000 tons short of estimated consumption requirements. A 300,000-ton loss means that the expected output has now been reduced to 3,270,000 tons, a decrease of 8.4 percent. To alleviate the current rice shortage, the National Economic Council (NEC) announced on August 7, 1972 that an additional 300,000 tons of rice imports would be needed in calendar 1972.

With this latest import authorization, the NEC has authorized rice imports totaling 800,000 tons in 1972, compared to 460,000 tons authorized in 1971. The initial 300,000-ton purchase from Thailand has been largely delivered. Negotiations for up to 400,000 tons under concessional terms are now in progress. It is likely that about 200,000 tons will arrive prior to December 31, 1972.

The U.S. Government is making available $32.4 million in disaster relief assistance. More than 4,800 metric tons of flour, vegetable oil, and milk powder have been diverted to the Philippines from other destinations in the area, and millions of nutribuns (highly fortified bread) distributed.

Canadian Butter Supplies (Continued from page 5)

from the level of 15.3 pounds in 1969 and 1970 to 15.1 pounds in 1971. During the first 5 months of 1972, per capita consumption has dropped even further—to 5.8 pounds, compared to 6.2 pounds for the first 5 months of 1971.

The CDC hopes to level off Cheddar cheese production by increasing the floor price for nonfat dry milk. This is an indirect way of increasing the floor price on butter, since skim milk—the basic ingredient of nonfat dry milk—is a byproduct of butter production. (The floor prices for both butter and Cheddar cheese were unchanged this season.)

The third trend, an increase in milk production, seems likely. Production levels from November 1971 through March 1972 were higher than the same months a year earlier.

Dr. Barry points out, however, that while an increase is likely, the extent of the increase will determine whether butter imports will again be necessary.

According to his calculations, if producers fill their quotas by 100 percent, there would be a considerable surplus of butterfat. Ideally, if producers met about 90 percent of their quotas they would provide about the optimum amount of butterfat needed to supply Canada's needs.

In 1971, producers filled about 86 percent of their quotas. Since production has trended upward during the last months of the winter, the CDC hopes that producers will approach the optimum 90 percent level of quota fulfillment in the coming season.